

Stephenson, Gracik & Co., P.C.
Certified Public Accountants & Consultants

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TOWNSHIP OF STANDISH
ARENAC COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED MARCH 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF STANDISH	County IOSCO
Audit Date 03/31/2004	Opinion Date 06/03/2004	Date Accountant Report Submitted to State: JUNE 30, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan*, as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) STEPHENSON, GRACIK & CO., P.C.			
Street Address 325 NEWMAN STREET, PO BOX 592	City EAST TAWAS	State MI	ZIP 48730
Accountant Signature <i>Donald W. Branner</i> CPA			

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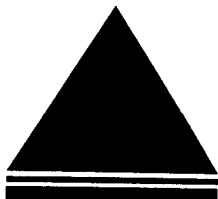
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June 3, 2004

Independent Auditors' Report

Members of the Township Board
Township of Standish
Arenac County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Standish, Arenac County, Michigan, as of and for the year ended March 31, 2004, as listed in the index. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these general purpose financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Township of Standish, Arenac County, Michigan, as of March 31, 2004, and the revenues it received and expenditures it paid for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2004, on our consideration of the Township of Standish's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Stephenson, Gracik & Co., P.C.

TOWNSHIP OF STANDISH
Arenac County, Michigan

COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND
EQUITY - CASH BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2004

With Comparative Totals for March 31, 2003

	Governmental Fund Type	Fiduciary Fund Type	Account Group	Totals (Memorandum Only)	
	General	Trust and Agency	General Fixed Assets	March 31, 2004	March 31, 2003
<u>ASSETS</u>					
Cash (Note 2)	\$ 76,180	\$ 31,347	\$ 0	\$ 107,527	\$ 148,166
Certificates of deposit (Note 2)	259,237	0	0	259,237	252,061
Due from other funds (Note 3)	31,350	0	0	31,350	30,155
Due from local units	0	3	0	3	3
Land and improvements (Note 4)	0	0	16,056	16,056	16,056
Buildings and improvements (Note 4)	0	0	40,618	40,618	40,618
Equipment and fixtures (Note 4)	0	0	27,664	27,664	22,467
Total Assets	<u>\$ 366,767</u>	<u>\$ 31,350</u>	<u>\$ 84,338</u>	<u>\$ 482,455</u>	<u>\$ 509,526</u>
<u>LIABILITIES AND FUND EQUITY</u>					
<u>Liabilities</u>					
Accrued payroll taxes	\$ 771	\$ 0	\$ 0	\$ 771	\$ 0
Due to other funds (Note 3)	0	31,350	0	31,350	30,155
Total liabilities	<u>771</u>	<u>31,350</u>	<u>0</u>	<u>32,121</u>	<u>30,155</u>
<u>Fund Equity</u>					
Investment in general fixed assets	0	0	84,338	84,338	79,141
Fund balances:					
Unreserved:					
Undesignated	365,996	0	0	365,996	400,230
Total fund equity	<u>365,996</u>	<u>0</u>	<u>84,338</u>	<u>450,334</u>	<u>479,371</u>
Total Liabilities and Fund Equity	<u>\$ 366,767</u>	<u>\$ 31,350</u>	<u>\$ 84,338</u>	<u>\$ 482,455</u>	<u>\$ 509,526</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - CASH BASIS - ALL GOVERNMENTAL FUND TYPES

For the Year Ended March 31, 2004

With Comparative Totals for the Year Ended March 31, 2003

	<u>Governmental Fund Type</u>	<u>(Memorandum Only)</u>
	<u>General</u> <u>March 31, 2004</u>	<u>General</u> <u>March 31, 2003</u>
<u>Revenue</u>		
Taxes	\$ 36,354	\$ 30,680
Licenses and permits	1,994	1,899
State revenue	144,829	159,914
Charges for services	3,860	4,070
Interest and rents	6,550	8,238
Other revenue	5,949	5,638
Total revenue	<u>199,536</u>	<u>210,439</u>
<u>Expenditures</u>		
Current:		
General government	87,825	77,499
Public safety	42,801	41,699
Public works	89,564	37,356
Recreation and cultural	500	500
Other functions	7,883	7,137
Capital outlay	5,197	2,314
Total expenditures	<u>233,770</u>	<u>166,505</u>
Excess of revenue over (under) expenditures	(34,234)	43,934
Fund balance - beginning of year	<u>400,230</u>	<u>356,296</u>
Fund balance - end of year	<u>\$ 365,996</u>	<u>\$ 400,230</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
CASH BASIS - GENERAL FUND
For The Year Ended March 31, 2004

	General Fund		Variance -
	Budget	Actual	Favorable (Unfavorable)
<u>Revenue</u>			
Taxes	\$ 32,541	\$ 36,354	\$ 3,813
Licenses and permits	1,700	1,994	294
State revenue	151,331	144,829	(6,502)
Charges for services	4,000	3,860	(140)
Interest and rents	5,000	6,550	1,550
Other revenue	5,428	5,949	521
Total revenue	<u>200,000</u>	<u>199,536</u>	<u>(464)</u>
<u>Expenditures</u>			
Current:			
General government	90,547	87,825	2,722
Public safety	45,000	42,801	2,199
Public works	109,802	89,564	20,238
Recreation and cultural	500	500	0
Other functions	10,676	7,883	2,793
Capital outlay	5,197	5,197	0
Total expenditures	<u>261,722</u>	<u>233,770</u>	<u>27,952</u>
Excess of revenue over (under) expenditures	(61,722)	(34,234)	27,488
Fund balance - beginning of year	<u>400,230</u>	<u>400,230</u>	<u>0</u>
Fund balance - end of year	<u>\$ 338,508</u>	<u>\$ 365,996</u>	<u>\$ 27,488</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Standish operates under an elected Township Board (five members) and provides services to its residents in many areas, including road maintenance and fire protection. The financial statements of the Township have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

A. Joint Venture

The Standish Area Fire Authority was established as a joint venture between the City of Standish, Township of Lincoln and the Township of Standish. The Board was established to provide fire protection services to the constituent municipalities. Complete financial statements can be obtained from the Standish Area Fire Authority's office located in the Township of Lincoln fire hall, Standish, Michigan.

B. Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

1. Governmental Funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

2. Fiduciary Fund:

This fund is used to account for assets held in trust or as an agent for others, and consists of the Current Tax Collection Fund.

3. Account Group:

General Fixed Asset Account Group - This account group presents the fixed assets of the Township utilized in its general operations.

C. Basis of Accounting

The Township's policy is to prepare its financial statements on the cash receipts and disbursements basis of accounting; consequently, certain revenues are recognized when cash is received rather than when earned, and certain disbursements are recognized when cash is disbursed rather than when the obligation is incurred. Financial statements prepared on this basis of accounting are not intended to present financial position and results of operations in accordance with generally accepted accounting principles. Financial activity is recorded as follows:

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

1. Property taxes and other revenue that are both measurable and available for use for financial operations are recorded as revenue when collected.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls.

For the current year, the taxable value for properties located within the Township was \$35,158,259. The tax rate was 0.9113 mills for operations.

2. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
3. Normally, expenditures are not divided between years by the recording of prepaid expenses.
4. Payrolls and other costs are recorded when incurred.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

E. Elements of the Significant Accounting Policies

Inventories:

Inventories have not been recognized in the financial statements as they are not material and have been expensed when purchased.

Fixed Assets:

General fixed assets are recorded as expenditures at the time of purchase. The assets are then recorded in the fixed asset group of accounts to maintain their identity and related costs. Because original purchase documents were not available for the land and some building costs, the original cost of such assets has been estimated on the basis of such documentary evidence that was available including price levels at the time of acquisition.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Elements of the Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting:

The Township normally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits a proposed operating budget to the Township Board which includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of an ordinance.

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted or as amended by the Township Board.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved and amended by the Township Board.

NOTE 2 - DEPOSITS AND INVESTMENTS

The captions on the financial statements for the deposit accounts are as follows:

	<u>Deposits</u>
Cash	\$ 107,527
Certificates of deposit	<u>259,237</u>
Total	<u>\$ 366,764</u>

Deposits are carried at cost. Deposits of the Township are at various banks in the name of the Township Treasurer. At year end, the carrying amounts of the Township's deposits were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC & FSLIC)	\$ 366,500	\$ 376,679
Uninsured - uncollateralized	<u>264</u>	<u>264</u>
Total deposits	<u>\$ 366,764</u>	<u>\$ 376,943</u>

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

The Township Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Township to deposit and invest in the following:

- * Accounts of federally insured banks, credit unions and savings and loan associations
- * Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- * United States government or federal agency obligation repurchase agreements
- * Banker's acceptances of United States banks
- * Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- * Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Township's deposits and investments are in accordance with statutory authority.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables have not been eliminated in the preparation of the Combined Balance Sheet (Exhibit A).

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 31,350	Tax	\$ 31,350

NOTE 4 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and improvements	\$ 16,056	\$ 0	\$ 0	\$ 16,056
Buildings and improvements	40,618	0	0	40,618
Equipment and fixtures	22,467	5,197	0	27,664
Totals	\$ 79,141	\$ 5,197	\$ 0	\$ 84,338

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

NOTE 5 - PENSION PLAN

The Township has a non-standardized money purchase pension plan with Travelers Life Insurance Company effective July 1, 1991. All full-time employees are covered under the plan. Eligibility to become a participant is limited to those employees who, on the effective date or on any anniversary date, have attained age 18. Vesting is 100% upon entering the plan.

Each employee must contribute 7.5% of their gross earnings to the plan. The Township is required to contribute an amount equal to 7.5% of the employee's gross earnings.

During the year, the Township's contributions amounted to \$2,231, which was 7.5% of its current year covered payroll. Employees' contributions also amounted to \$2,231. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE 6 - UNEMPLOYMENT COMPENSATION

The Township is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Township must reimburse the Employment Agency for all benefits charged against the Township. No liabilities have been incurred as of March 31, 2004.

NOTE 7 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township continues to carry commercial insurance for risks of loss. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 8 - TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 9 - COMPARATIVE DATA

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

NOTE 10 - NEW REPORTING STANDARD

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The Township is required to implement this standard for the fiscal year ending March 31, 2005. The Township has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

OTHER DATA

REPORT ON OTHER DATA

June 3, 2004

Our audit was conducted for the purpose of forming an opinion on the March 31, 2004 general purpose financial statements taken as a whole. The individual fund financial statements EXHIBITS E through G, including comparative totals for March 31, 2003, are presented for purposes of additional analysis and are not a required part of the 2004 general purpose financial statements of the Township of Standish, Arenac County, Michigan. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2004 general purpose financial statements taken as a whole.

Stephenson, Grain & Co., P.C.

TOWNSHIP OF STANDISH
Arenac County, Michigan

DETAILS OF REVENUE - BUDGET AND ACTUAL -
CASH BASIS - GENERAL FUND
For the Year Ended March 31, 2004
With Comparative Totals for the Year Ended March 31, 2003

	2004 Budget	2004 Actual	2003 Actual
<u>Taxes</u>			
Property taxes	\$ 30,000	\$ 32,173	\$ 30,639
Swamp taxes	41	41	41
Collection fees	2,500	4,140	0
	<u>32,541</u>	<u>36,354</u>	<u>30,680</u>
<u>Licenses and Permits</u>			
Zoning permits and books	<u>1,700</u>	<u>1,994</u>	<u>1,899</u>
<u>State Revenue</u>			
State revenue sharing	<u>151,331</u>	<u>144,829</u>	<u>159,914</u>
<u>Charges for Services</u>			
Sale of cemetery lots	<u>4,000</u>	<u>3,860</u>	<u>4,070</u>
<u>Interest and Rents</u>			
Interest earned	5,000	5,350	7,238
Hall rental	0	1,200	1,000
	<u>5,000</u>	<u>6,550</u>	<u>8,238</u>
<u>Other Revenue</u>			
Private contributions	900	200	0
Special assessments	3,500	4,580	4,332
Refunds and reimbursements	1,028	1,169	1,306
	<u>5,428</u>	<u>5,949</u>	<u>5,638</u>
Total Revenue	<u>\$ 200,000</u>	<u>\$ 199,536</u>	<u>\$ 210,439</u>

TOWNSHIP OF STANDISH
Arenac County, Michigan

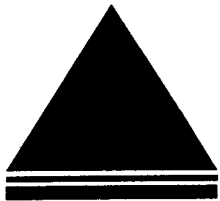
DETAILS OF EXPENDITURES - BUDGET AND ACTUAL -
CASH BASIS - GENERAL FUND
For the Year Ended March 31, 2004
With Comparative Totals for the Year Ended March 31, 2003

	2004 Budget	2004 Actual	2003 Actual
<u>General Government</u>			
Township board	\$ 11,106	\$ 11,280	\$ 9,530
Supervisor	9,290	9,290	9,300
Elections	398	0	3,737
Assessor	14,874	14,874	14,011
Clerk	8,833	8,833	10,417
Treasurer	20,727	18,229	11,912
Board of review	1,715	1,715	995
Township hall	16,152	16,152	10,461
Cemetery	7,452	7,452	7,136
	<u>90,547</u>	<u>87,825</u>	<u>77,499</u>
<u>Public Safety</u>			
Fire protection	36,000	35,272	33,487
Planning commission	9,000	7,529	8,212
	<u>45,000</u>	<u>42,801</u>	<u>41,699</u>
<u>Public Works</u>			
Street lighting	5,000	4,403	4,398
Highways, street and bridges	104,802	85,161	32,958
	<u>109,802</u>	<u>89,564</u>	<u>37,356</u>
<u>Recreation and Cultural</u>			
Library	500	500	500
<u>Other Functions</u>			
Insurance	5,000	4,875	4,379
Employee benefits	5,379	3,008	2,758
Contingency	297	0	0
	<u>10,676</u>	<u>7,883</u>	<u>7,137</u>
Capital outlay	5,197	5,197	2,314
Total Expenditures	<u>\$ 261,722</u>	<u>\$ 233,770</u>	<u>\$ 166,505</u>

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 CASH BASIS - TRUST AND AGENCY FUND
For the Year Ended March 31, 2004

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
<u>ASSETS</u>				
Cash	\$ 30,152	\$ 926,231	\$ 925,036	\$ 31,347
<u>LIABILITIES</u>				
Due to other funds	\$ 30,155	\$ 31,349	\$ 30,154	\$ 31,350
Due to (from) county	(19)	404,943	404,943	(19)
Due to schools	16	488,067	488,067	16
Refunds	0	1,872	1,872	0
Total Liabilities	\$ 30,152	\$ 926,231	\$ 925,036	\$ 31,347



Stephenson, Gracik & Co., P.C.
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Gerald D. Gracik Jr., CPA
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June 3, 2004

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Township Board
Township of Standish
Arenac County, Michigan

We have audited the general purpose financial statements of the Township of Standish, as of and for the year ended March 31, 2004, and have issued our report thereon dated June 3, 2004. In our report dated June 3, 2004, our opinion was qualified because the general purpose financial statements were presented using a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

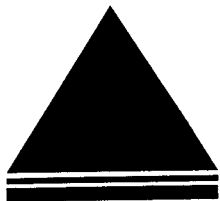
As part of obtaining reasonable assurance about whether the Township of Standish's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Standish's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

This report is intended solely for the information and use of management, the Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson, Gracik & Co., P.C.



Stephenson, Gracik & Co., P.C.
Certified Public Accountants & Consultants

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June 3, 2004

Members of the Township Board
Township of Standish
Arenac County, Michigan

Dear Board Members:

We have audited the general purpose financial statements of the Township of Standish for the year ended March 31, 2004, and have issued our report thereon dated June 3, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated February 18, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the general purpose financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the Township of Standish's internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the Township of Standish's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Standish are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Township of Standish during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Standish's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township of Standish, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of Standish's financial reporting process.

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Stephenson, Gracik & Co., P.C.

Members of the Township Board
Township of Standish
June 3, 2004
Page Two

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Standish's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

We wish to express our appreciation for the cooperation and courtesies extended our staff by management and employees of the Township.

This information is intended solely for the use of management, Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson, Gracik & Co., P.C.